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November 17, 2008

AGENDA ITEM 4d

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Board's Independent Investment Consultant Contracts
 - 1) Real Estate
 - 2) General
- II. PROGRAM:** CalPERS Total Fund
- III. RECOMMENDATION:** Subject to direction from the Committee
- IV. ANALYSIS:**

CalPERS' currently has contracts for independent investment services with Wilshire Associates Incorporated (Wilshire) and PCA Real Estate Advisors, Inc. (PCA-Real Estate). Both contracts were entered into effective July 1, 2005 for three year periods, with the option of two one-year renewals. Under the full five year term, the contracts would expire June 30, 2010. At this time, contract extensions have not been entered into for the final one year term, July 1, 2009 through June 30, 2010. Decisions to enter into these extensions are generally made several months in advance in order to allow time to make alternate arrangements, should that be necessary or appropriate.

CalPERS Contract with Wilshire Associate Incorporated

Since 1983, CalPERS has engaged Wilshire to be the Board's Primary Investment Consultant. Wilshire has served without interruption as the result of a series of competitive solicitations and contract awards with varying durations during this period. Wilshire's current contract started on July 1, 2005 and is the result of a competitive solicitation conducted in 2004. As with all CalPERS consultant contracts, this contract is for a term of three (3) years with the option to extend for up to two successive one-year periods. If approved, this would be the final extension possible for this contract.

CalPERS Contract with PCA Real Estate Advisors, Inc.

Since 1989, CalPERS has engaged PCA-Real Estate to serve as the Committee's Primary Real Estate consultant. Similar to Wilshire, PCA-Real Estate has served without interruption as the result of a series of competitive solicitations and contract awards with varying durations during this period. PCA-Real Estate's current contract started on July 1, 2005 and is also a result of a competitive solicitation conducted in 2004. The current PCA-Real Estate contract is for a term of three years with the option to extend for up to two successive one-year periods. If approved, this would be the final extension possible for this contract.

Termination Provisions

Both the Wilshire and PCA-Real Estate contracts contain standard termination provisions found in CalPERS consultant contracts. There are three options contained within each contract:

1. Termination at Option of CalPERS – this option requires a 30 day advance written notice and can be exercised for any reason.
2. Termination for Default – this option requires a two-day advance written notice and can be exercised for failure of the contractor to fulfill its contract obligations.
3. Termination for Insolvency – this option provides CalPERS with the ability to give a five-day written notice in the event the contractor notifies CalPERS in writing it has filed for bankruptcy and CalPERS believes the contractor unable to fulfill its contract obligations.

V. STRATEGIC PLAN:

This agenda item is consistent with the Strategic Plan:

- Goal VIII, manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits, and second, to minimize and stabilize contributions.
- Goal IX, achieve long-term, risk-adjusted returns.

VI. RESULTS/COSTS:

There are no additional costs associated with this agenda item. Funding for both contracts is contained within the Investment Office existing budget.

Matt Flynn, Division Chief
Operations, Performance and Technology

Anne Stausboll
Interim Chief Investment Officer